

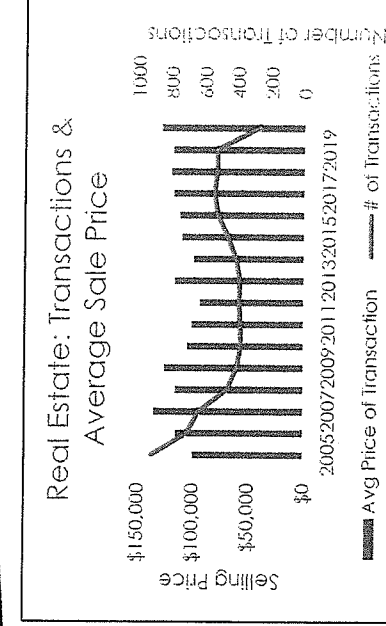
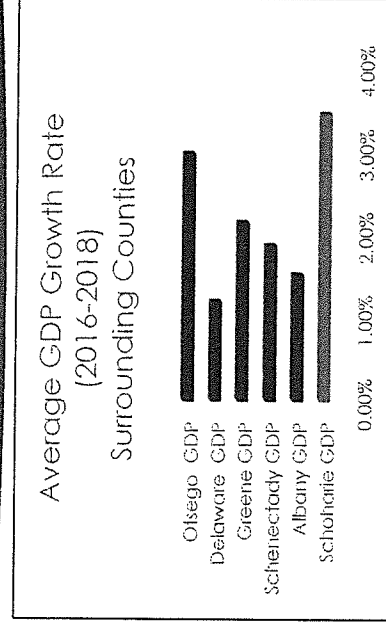
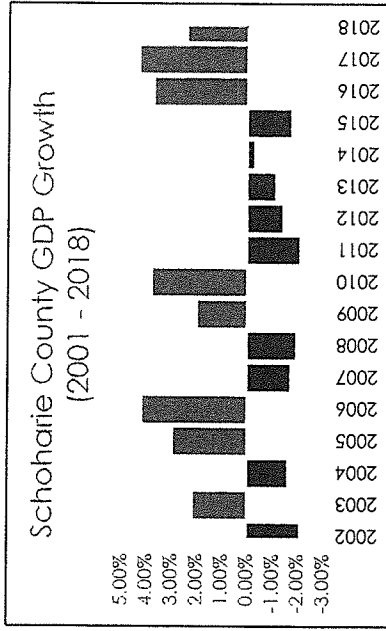
Tentative Budget Presentation

PRESENTED TO:
BOARD OF SUPERVISORS
OCTOBER 16, 2020



FISCAL IMPACT OF THE PANDEMIC

Pandemic Ruined the County's Economic Recovery from Flood



- ▶ The flood created 5 years of negative County GDP growth
- ▶ From 2016 until the pandemic "hit," Schoharie County's economy grew faster than either NYS or the US
- ▶ Schoharie's GDP growth is better than surrounding counties
- ▶ Real estate average parcel sell price increased 27% since 2012

Fiscal Impact of the Pandemic: Large Deficit in 2020

	Fund Balance Projections (As of 9/30/2020)		
	General Fund	Highway Fund	Machinery Fund
Revenues	\$58,478,995	\$3,798,036	\$83,560
Balance of Budgeted X-fer In	\$0	\$8,378,681	\$919,007
TOTAL REV	\$58,478,995	\$12,176,717	\$1,002,567
Expenditures			
Jan - June	\$29,192,646	\$4,603,698	\$457,205
June Additional Costs	\$74,594	\$666,359	\$95
Previous Year Encumbrance Use	-\$627,131	-\$47,033	\$0
Q3 Est	\$9,955,022	\$2,852,849	\$139,300
Q3 Additional Requests	\$533,368	\$0	\$0
Q DPW Project Adjustments	\$0	-\$633,360	\$0
Q3 Payroll	\$3,875,344	\$414,301	\$75,079
Q4 Est	\$13,801,377	\$3,226,653	\$260,615
Q4 Payroll	\$4,523,693	\$489,517	\$88,505
Remaining Interfund X-fers	\$8,368,324	\$460,424	\$0
TOTAL EXP	\$69,697,237	\$12,033,408	\$1,020,799
Est. Deficit	-\$11,218,242	\$143,309	-\$18,232

▲ We now will present 2020

projections by fund in order to give the Board the clearest picture of the financial situation

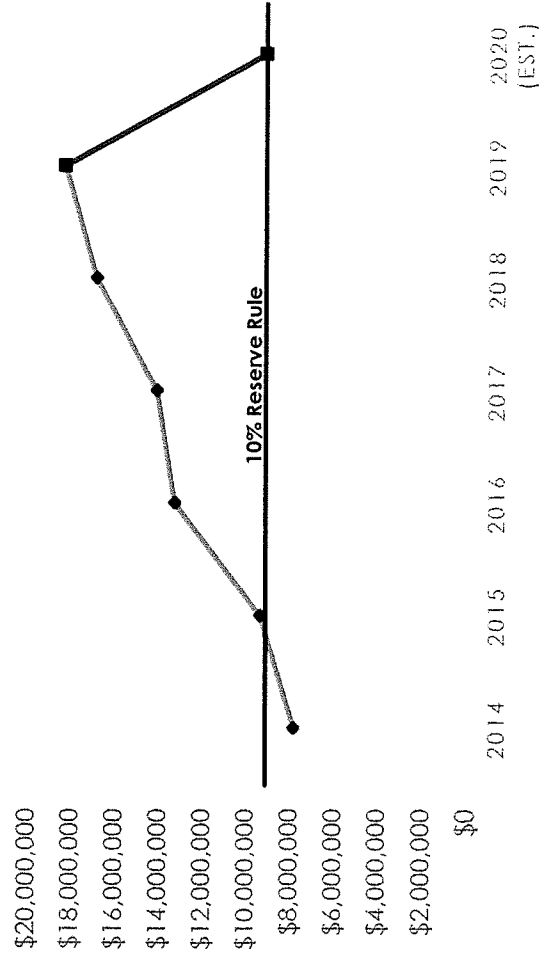
▲ Current projections estimate 2020's General Fund deficit to be \$11.2M.

▲ Highway Fund projects a slight surplus.

▲ Machinery Fund projects slight deficit.

2020 Deficit De-Stabilizes County Finances

UNASSIGNED & AVAILABLE GENERAL FUND BALANCE



- ▶ In the years after the floods in 2011, the county rebuilt its fiduciary reserves and prepared for the local costs of the new Public Safety Facility and the potential local share of the Streambank Project.
- ▶ Currently the County keeps \$9.1M of fund balance to maintain a fiduciary reserve for adequate cash flow.
- ▶ 2020 projections require us to spend all our discretionary fund balance for 2020 operations.
- ▶ Future capital expenses (new PSF, Streambank) will need to be bonded rather than paid for with our cash reserves, creating upward pressure on the levy in 2023 & 2024.

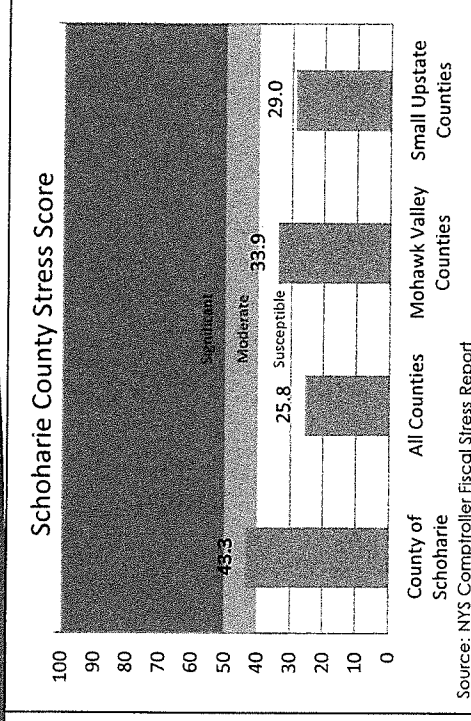
The Levy & The Economy

Restoring Fiscal Stability Depends on Economic Recovery

Comparing Tax Rates in Greater Central NY Region

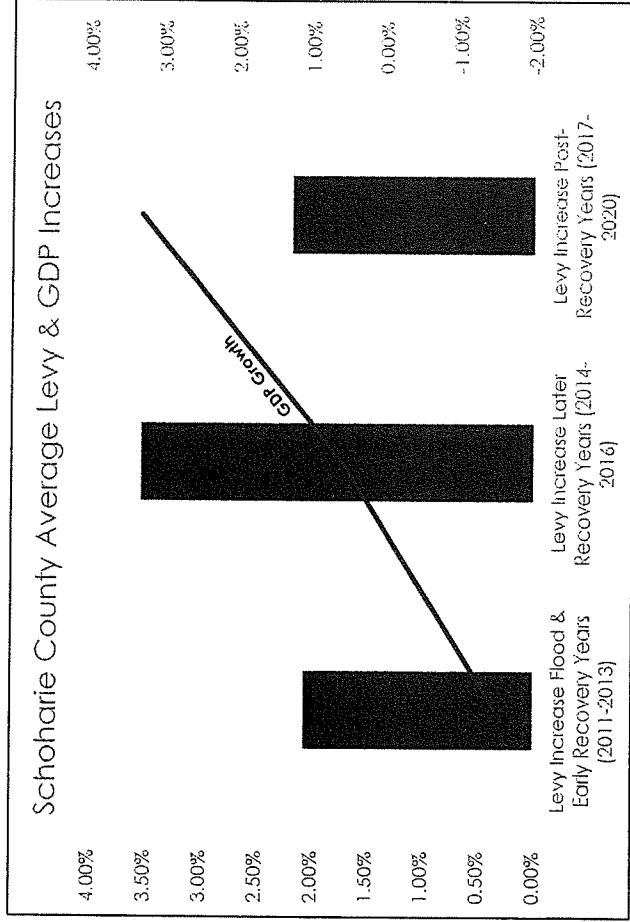
Rank	County	Low Rate	High Rate	Median Rate
1	Cortland	31.30	48.37	38.20
2	Montgomery	27.42	51.60	37.58
3	Broome	18.34	59.02	36.10
4	Schoharie	22.85	49.92	35.15
5	Tioga	20.18	55.24	34.33
6	Madison	27.01	43.45	33.86
7	Ontieda	11.46	46.88	32.85
8	Tompkins	26.37	41.97	30.36
9	Herkimer	11.04	54.41	29.38
10	Fulton	15.59	51.95	28.82
11	Otsego	14.77	34.79	25.38
12	Delaware	16.20	40.99	25.25

Source: Fairweather Report



- ▶ Through 2015 Schoharie's tax burden ranked 4th highest of surrounding counties.
- ▶ Population Loss & Reliance on State/Federal Aid destabilizes Schoharie County relative to other NYS counties
- ▶ Schoharie County's revenues are vulnerable to decisions made by state and federal entities

The Board Drives Economic Growth By Keeping the Levy Low



▶ **2014-2016:** Average Levy Increased 3.54% while Average GDP Grew .58%

▶ **2017-2020:** Average Levy Increased 2.19% while GDP Grew 3.32%

▶ The data shows that low levies return strong economic growth

▶ At this critical time in Schoharie's economy, a high levy increase in 2021 is likely to slow down economic recovery

The Board Cannot Preserve The County Workforce & Control the Levy Increase in 2021

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- ▶ Tentative Budget funds all but 15 positions appropriated in the 2020 Adopted Budget → 14.05% Levy Increase
- ▶ That levy increase is 5x the historic levy increase since 2010 (2.56%) AND is 6.5x the property tax cap (2.17%)
- ▶ High levy increases over the next several years will deter economic recovery when the pandemic ends
- ▶ To cut the levy, we would need to cut services & the workforce that supports them

Tentative Budget Details

2021 Budget Process Cuts Spending from 2020 by 12%

	<u>2017</u> <u>(Actual)</u>	<u>2018 (Actual)</u>	<u>2019 (Actual)</u>	<u>2020 (Revised)</u>	<u>2021 (DH)</u>	<u>2021 Tentative</u>
General Fund	\$61,914,955	\$62,874,511	\$67,315,264	\$76,417,987	\$77,055,226	\$72,818,142
Highway Fund	\$12,163,718	\$13,838,163	\$12,491,670	\$15,469,865	\$18,671,627	\$8,343,535
Machinery Fund	\$1,398,002	\$1,535,556	\$1,875,066	\$1,069,922	\$1,080,346	\$1,027,846
Debt Service Fund	\$539,586	\$921,309	\$2,138,419	\$1,821,347	\$1,406,068	\$1,406,068
TOTAL APPROPRIATIONS	\$76,016,261	\$79,169,539	\$83,820,419	\$94,779,122	\$98,213,267	\$83,595,591

- ▶ Departments were asked to submit current service costs only and propose enhancements separately
- ▶ Tentative Budget includes only reduced current services and (1) enhancement

Tentative Budget Proposes Levy 5x the Historical Average

	PT Levy	\$ Change	% Change
2010	\$17,574,790		
2011	\$17,885,605	\$310,815	1.77%
2012	\$18,211,533	\$325,928	1.82%
2013	\$18,688,558	\$477,025	2.62%
2014	\$19,059,430	\$370,872	1.98%
2015	\$20,024,345	\$964,915	5.06%
2016	\$20,738,035	\$713,690	3.56%
2017	\$21,476,848	\$738,813	3.56%
2018	\$21,532,951	\$56,103	0.26%
2019	\$22,049,677	\$516,726	2.40%
2020	\$22,606,005	\$556,328	2.52%
	AVERAGE:		2.56%
2021	\$25,781,732	\$3,175,727	14.05%

	Revenue Comparison		
	2021 Tentative	2020 Revised	2019 Actual
Property Tax	\$25,781,732	\$22,606,005	\$21,933,163
Sales Tax	\$15,400,000	\$16,000,000	\$16,009,403
Local	\$7,387,152	\$9,962,879	\$10,626,319
Inter-Governmental	\$10,839,715	\$11,750,224	\$3,420,534
State	\$10,200,152	\$18,111,442	\$7,651,715
Federal	\$11,380,772	\$11,993,418	\$5,288,033
Interfund Transfers	\$1,406,068	\$1,821,347	\$751,511

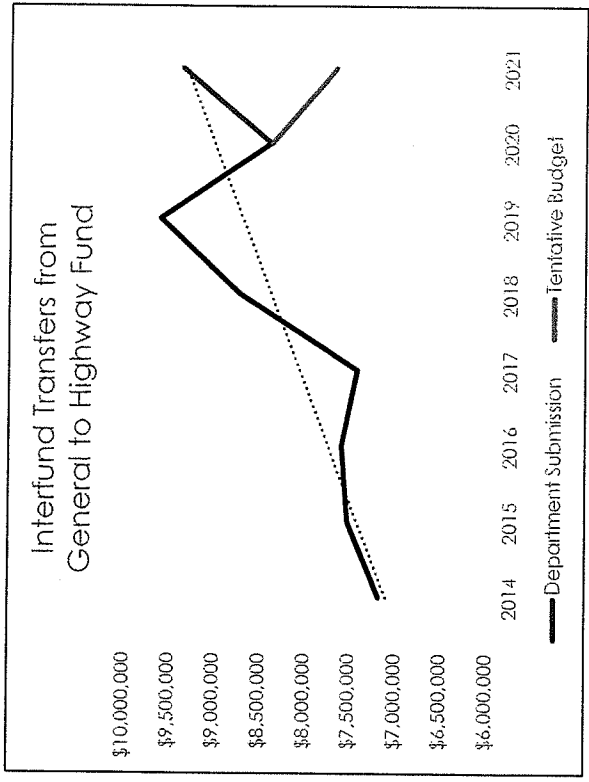
- ▶ Loss of revenues is the reason for such a high levy increase.
- ▶ Tentative Budget lowers state support: NYS Financial Update lists \$8.1B in cuts to "Aid To Localities" every year through 2024
- ▶ Tentative Budget factors in a weak economy for 2021 by projecting lower local revenues

Tentative Budget Attempted to Preserve Current Services & Workforce

	<u>2020 Adopted</u>	<u>2021 Dept.</u>	<u>2021 Current</u>	<u>2021 Tentative</u>
	<u>Levy</u>	<u>Head Levy</u>	<u>Services Levy</u>	<u>Budget Levy</u>
Levy Amount	\$22,606,005	\$29,674,628	\$28,403,873	\$25,781,732
\$ Inc. From 2020	NA	\$7,068,623	\$5,797,868	\$3,175,727
% Inc. From 2020	NA	31.27%	25.65%	14.05%

- ▶ Departments quantified 2021 costs for 2020's level of service delivery. My determination of "Current Services" was \$1.3M less than department submissions – 26% levy increase.
- ▶ I made the following cuts in order to reduce the levy increase by 14.05%:
 - ▶ Permanently eliminating 15 vacant positions
 - ▶ Appropriating \$1.2M in available fund balance to the General Fund
 - ▶ Only 1 proposed enhancement was included in the Tentative Budget
 - ▶ Funding to external organizations & economic development appropriations cut by 20% minimum
 - ▶ DPW projects funded in 2021 with fund balance

Capital Improvement Plan to Balance Fiscal & Safety Needs



- ▶ Every year, General Fund revenues are used to cover Highway Fund expenditures using an interfund transfer– **These Are Local Funds, Not External Funds**
- ▶ County has significant need for infrastructure improvement & interfund transfers have steadily increased to meet this need
- ▶ As of 12/31/2019, current Available Highway FB is \$5.2M – growing \$1.7M from 2018 to 2019
- ▶ Tentative Budget pulled all road and bridge work “off budget” to lower the interfund transfer by \$1.7M in 2021
- ▶ To balance fiscal and safety needs, I propose the following strategy to meet the infrastructure needs of the county:
 - ▶ Develop a Capital Improvement Plan (CIP) for Roads & Bridges to focus on the highest priorities first and quantify costs
 - ▶ Use Highway Fund Balance and state and federal funding for CIP projects in CIP 2021

Next Steps in the Budget Process

Additional Options to Cut the Levy Not Included in Tentative Budget

Savings Chart Summary

<u>Number</u>	<u>Description</u>	<u>Savings Amount</u>	<u>New Levy</u>	<u>"New" Levy Increase %</u>
	Tentative Levy		\$25,781,732	
1	Eliminate Youth & Old Stone Fort	\$ 409,468.00	\$25,372,264	12.24%
2	Change the Fund Balance Requirement to \$8.4M	\$ 500,000.00	\$24,872,264	10.03%
3	Defunding All 2020 Vacant Positions	\$ 575,257.00	\$24,297,007	7.48%
4A	Defer Non-Union Raises	\$ 99,563.00	\$24,197,444	7.04%
4B	Defer CSEA Raises	\$ 280,000.00	\$23,917,444	5.80%
5	Defer the Purchase of CAD System	\$ 263,438.00	\$23,654,006	4.64%
6	Ealy Retirement	\$ 146,454.00	\$23,507,552	3.99%
7	Closing 1 POD in PSF	\$ 242,639.00	\$23,264,913	2.91%

- ▶ Before looking at “across the board” workforce reductions and service cuts, we looked at different options to cut the levy; many result in one-time savings only
- ▶ These options are draconian, and are not feasible in many cases
- ▶ These options will not help us if revenue shortfalls continue past next year
- ▶ The most possible of the options (#2,5,6,7,4A) would result in an 8.5% levy increase – Board would still need to cut \$1.34M to reach historical levy increase of 2.56% or \$1.43M to get under the tax cap

The Sustainable Option: Restructuring County Government

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- ▶ Restructuring county government allows us to “right-size” our organization to a level we can afford to provide
- ▶ Restructuring allows a more structurally viable organization that the tax base can support long-term
- ▶ The goals of restructuring would be:
 - ▶ Re-evaluating priorities in order to determine current service needs and develop an organization to deliver them
 - ▶ Gain efficiencies through consolidation
- ▶ Instead of “across-the-board” cuts or the draconian cuts on Slide 14, restructuring allows us to target our efforts in a **balanced way** to preserve local priorities while still providing mandated services
- ▶ Because of the fiscal implications from the pandemic & in its present form, Schoharie County will not be sustainable long-term without large annual levy increases

FOR THE
MOTION
PICTURE